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alabama business

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Manufacturing

Carl E. Ferguson, Jr.

As Alabama's economy grew during the 1960s and 1970s, the state's manufacturing base continued to diversify. In the durable goods sector, Alabama moved away from the underdeveloped primary metals industry into lumber, furniture, electrical machinery, and transportation equipment. In nondurable manufacturing, apparel, paper, chemicals, and rubber and plastics became increasingly important. These industries drew on the state's abundant natural resources, often paid high wages, and grew rapidly.

Recent trends. The importance of the manufacturing sector to the Alabama economy reached a peak in 1978, when total manufacturing contributed 20.6 percent to the Alabama Gross State Product. Nondurables accounted for 13.5 percent of real GSP, while durables claimed 13.4 percent. Manufacturing was also the largest employer, providing 578,000 workers, or 22.5 percent of all those employed in the state. Of these, 50.2 percent were employed in nondurable goods manufacturing and 49.8 percent in durable goods manufacturing.

However, the recession which began in 1980 ushered a decline in Alabama's manufacturing economy. During the two-year period 1980 through 1982, real output in manufacturing fell by 20.3 percent. Most of the decline was concentrated in the vulnerable durable goods sector, where real output plummeted 18.4 percent over those three years. There was also a 42.9 percent decline in primary metals, 33.7 percent in transportation equipment, and 24.7 percent in lumber. During 1979-82, real output in nondurable manufacturing dropped by a modest 2.6 percent. However, severe contractions in output for the chemical and textiles industries took place, 22.9 percent and 11.2 percent respectively.

As a consequence, the manufacturing sector's share of total GSP between 1978 and 1982 declined from 20.6 percent to 17.7 percent. Most of the decline was concentrated in the durable goods industries. Employment in durable manufacturing industries were affected to a greater degree. The decline of 2.7 percent in manufacturing's share of total personal income in Alabama from 18.8 percent in 1979 to 16.1 in 1982 was almost entirely attributable to the durable goods component.

Outlook. The unfortunately extensive contraction of the recent past will severely influence Alabama's manufacturing sector through the decade of the 1980s. Sharp declines in real manufacturing output, employment, and income during 1979-82 have reshaped the industrial structure of the state. While 1983 real output in manufacturing should surpass the earlier 1979 high, employment in manufacturing should not succeed to regain its 1979 level during the forecast period. In fact, a downward trend in manufacturing's share of real output, employment, and total personal income is now in progress and is expected to continue through 1990.

Manufacturing employment. By the late 1980s, manufacturing employment will be 10.5 percent lower than it was in 1979. Based on past and current economic conditions, manufacturing is playing a declining role in Alabama's economy. This will be offset by the increasing importance of other sectors, notably finance, insurance, and real estate; construction; communications; and state and local government.

Nondurable Manufacturing

Nondurable goods manufacturing was hurt by the 1981-82 recession, although not to the extent of durables manufacturing. Real output in nondurables manufacturing peaked in 1981 but then declined by more than 10 percent in 1982. Employment similarly slipped by 4.5 percent in 1982. By 1983, signs of recovery were evident for nondurables manufacturing in both output and employment. However, recovery is not expected to be as strong in nondurables manufacturing as it will be in the harder hit durables industries.

Textiles.

Textile manufacturers produce such things as broad-woven fabrics, cloth, narrow-woven fabrics, trackrack, ribbons, webbing, etc., and cord, twine, and nets. Knitting mills, carpet mills, and yarn mills also are in this category. Alabama has many medium-size textile firms with employment between twenty and seventy-five people as well as several large firms with hundreds of employees.

The textile industry has a long history in the South. Traditionally it has drawn on a primarily female labor force which was not well educated. The industry pays low wages and is not heavily unionized.

In 1983, output from the textile mill industry represented 2 percent of Alabama's Gross State Product. This share should increase over the decade, falling slightly to about 2.3 percent of GSP by 1990. Nationally, textiles accounted for only 0.7 percent of Gross National Product. The industry's output should rise by 6.0 percent during the late 1980s. Good years will see 7 percent growth and lean years will see the industry have a breakeven.

In 1983, the textile industry in Alabama employed almost 40,000 people. During the decade that number will grow by 2 percent to about the 1990 only 35,000 Alabamians will be employed in this industry. Improving technology will keep the industry's portion of Gross State Product at a constant level (even growth) and in some years improve its industry position with other manufacturing industries. The state will produce more with fewer employees. Still, 35,000 employees represent 1.9 percent of Alabama's forecasted 1990 total employment.

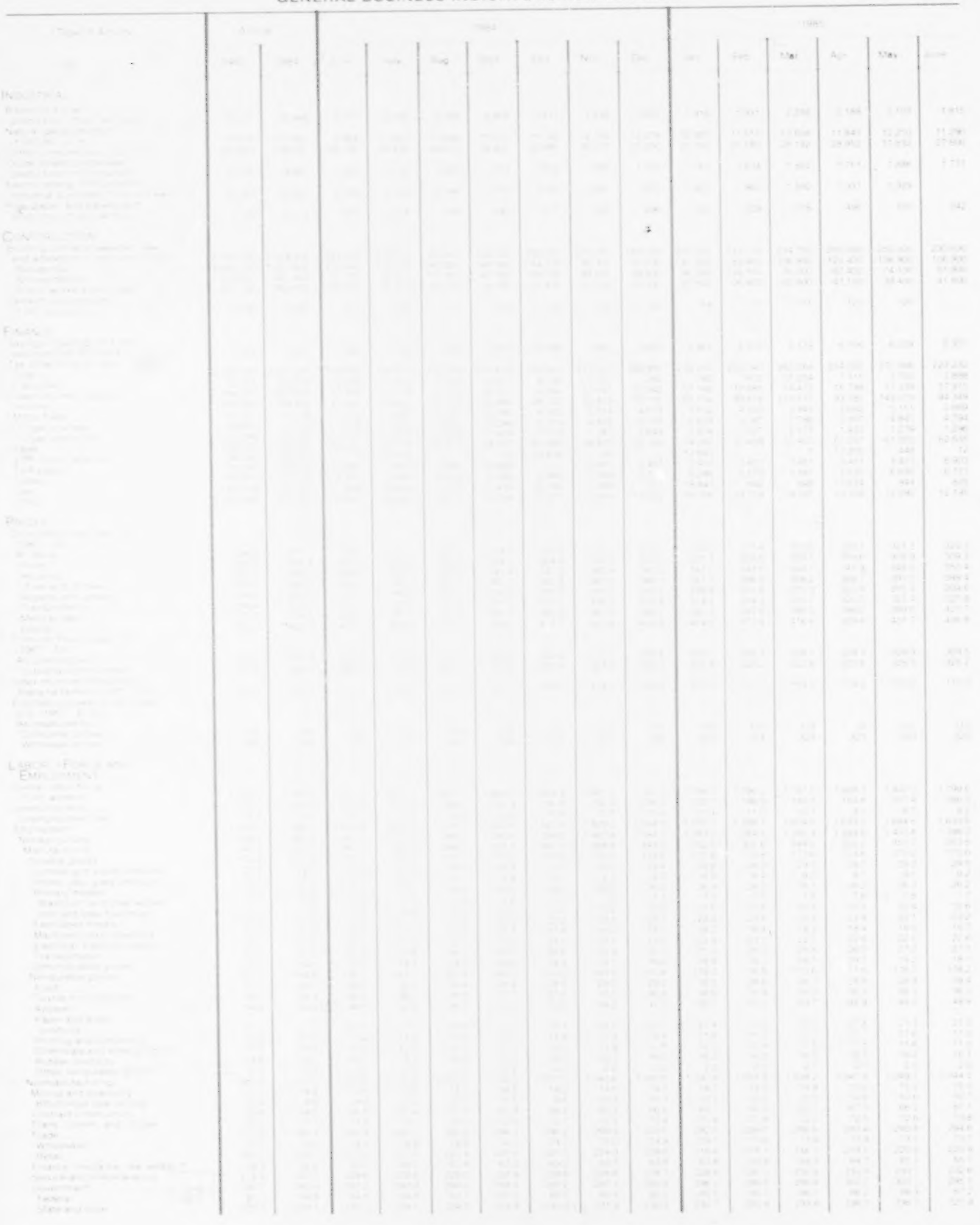
The textile industry historically pays a lower wage rate than almost all other manufacturing industries in Alabama. Only the furniture and apparel industries have lower average annual wages. In 1983 the average wage for textile workers was $23,500. By 1990 textile workers may average $25,000 annually, but because other industries will also be raising wages, textile workers will still be relatively poorly paid. Persons employed nationwide in nondurable manufacturing jobs averaged $19,500 annually in 1983. In Alabama they averaged only $16,500, and textile workers were paid less than the state average. This trend is expected to continue.

Even though textile workers are not highly paid, their combined income in 1983 represented 1.5 percent of all wage and salary income in the state and 9.3 percent of all manufacturing income. The only manufacturing industries that have larger portions of total personal income are the primary metals industry and the paper industry, both of which have fewer employees but pay much better wages.

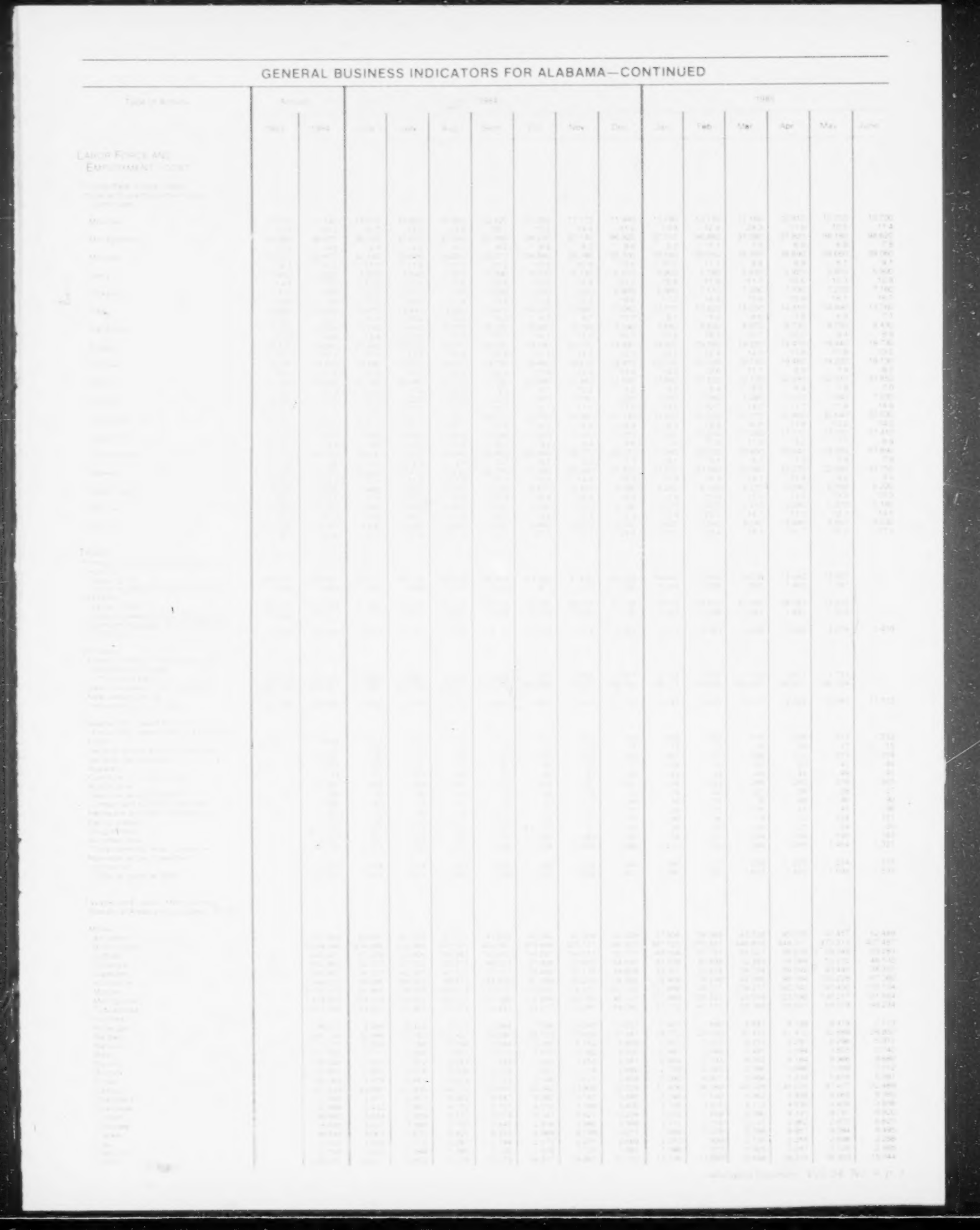
The outlook for the textile industry in Alabama is for decreasing employment but continued relative importance to Gross State Product. The overall picture is of an industry that continues to hold its current spot in relative wages paid and relative share of total personal income.

The October issue of Alabama Business will present a brief look at primary metals, a key sector in Alabama durable manufacturing. For more information about manufacturing in Alabama and the Alabama economy we would suggest you contact the Center for Business and Economic Research.

GENERAL BUSINESS INDICATORS FOR ALABAMA



GENERAL BUSINESS INDICATORS FOR ALABAMA—CONTINUED



GENERAL BUSINESS INDICATORS FOR ALABAMA—CONTINUED

Area of Activity	Annual		1991							1992					
	1991	1992	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
TRADE (CONTINUED)															
Department store sales (1977=100)															
Unadjusted															
Seasonally adjusted															
Retail sales (mil. $)															
Auto dealers															
Building materials															
Food stores															
General merchandise															
Gasoline service stations															
Restaurants															
Other															
Retail sales (1977=100)															
Unadjusted															
Seasonally adjusted															
Retail stores (number)															
Auto dealers															
Building materials															
Food stores															
General merchandise															
Gasoline service stations															
Restaurants															
Other															
Wholesale trade (1977=100)															
Unadjusted															
Seasonally adjusted															
Wholesale trade (mil. $)															
Durable goods															
Nondurable goods															
Wholesale trade (number)															
Durable goods															
Nondurable goods															
BUILDING PERMITS															
Anniston															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Auburn															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Bessemer															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Birmingham															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Decatur															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Dothan															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Florence															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Gadsden															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Huntsville															
Building permits (number)															
Reported value															
Residential															
Nonresidential															
Mobile															
Building permits (number)															
Reported value															
Residential															
Nonresidential															

GENERAL BUSINESS INDICATORS FOR ALABAMA—CONTINUED

Type of Activity	Annual		1984							1985					
	1983	1984	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
BUILDING ACTIVITY															
CONSTRUCTION															
Nonresidential															
Building permits ($1,000)															
Square feet	32,884	43,842	7,885	8,192	8,975	3,214	8,186	11,077	6,049	6,564	6,027	6,624	4,126	8,163	7,901
Permits	12,474	14,930	3,847	3,814	3,967	2,901	3,482	3,483	2,557	2,140	3,036	3,836	4,096	4,356	4,009
Construction	24,208	30,136	5,858	5,719	5,866	5,417	5,707	5,191	4,941	3,758	2,321	3,960	4,060	5,001	3,054
Residential															
Building permits ($1,000)															
Square feet	12,385	15,445	2,261	1,972	1,784	1,246	1,427	937	1,047	995	532	1,419	2,139	1,707	2,024
Permits	2,387	2,945	504	410	374	249	311	201	246	201	177	294	406	358	578
Construction	1,923	2,170	354	330	291	236	262	178	212	48	51	379	442	388	453
Public															
Building permits ($1,000)															
Square feet	3,151	3,284	398	886	196	419	389	369	372	35	109	194	73	257	69
Permits	1,111	1,180	90	96	78	91	76	108	140	46	149	142	73	227	69
Construction	1,048	1,081	74	71	77	111	74	108	140						
Total															
Square feet	48,420	62,571	10,544	11,050	10,955	4,879	9,982	12,383	7,468	7,594	6,668	8,237	6,338	10,127	9,994
Permits	15,972	19,055	4,441	4,320	4,419	3,241	3,869	3,792	2,943	2,387	3,362	4,272	4,575	4,941	4,656
Construction	27,179	33,387	6,286	6,120	6,234	5,764	6,043	5,477	5,293	3,806	2,521	4,481	4,577	5,776	3,569

Monthly sales figures are preliminary and subject to revision in succeeding issues. Sales figure for the two most months are normally low because they do not yet include data from late reporters. Retail sales historical data prior to 1984 are not available for the new series. The "statewide" category of the County section provides sales figures which are not attributable to individual counties. It does not represent a state total.

Migration

per thousand) during 1965-70 to a net outmigration of 17.4 persons (19.50 per thousand) during 1975-80.

The reversal from a net outmigration during 1965-70 to a net immigration during 1975-80 is characteristic of the pattern for whites at the state level, and is the predominant pattern of white migration trends at the county level.

Blacks experienced net outmigration in each of the two periods of observation, but the level of outmigration for blacks in 1965-70 totaled 89,306 (65.86 per thousand) compared with outmigration of 4,148 (4.10 per thousand) in the 1975-80 period. The sizeable drop in outmigration rates of blacks from 1965-70 to 1975-80 is characteristic of many of the counties in Alabama. Twenty-one of the 66 counties for which comparative data were examined fall into the category of high outmigration during 1965-70 to low outmigration during 1975-80. However, 22 counties also are in the category of relatively high rates of outmigration by Blacks during each of the periods of observation.

The many changes in migration patterns in Alabama may be due to several factors, but it is not possible to identify the motivation of individual migrants based on the aggregate level data discussed here. However, the reversal in migration flows for whites and the sharp drop in outmigration of blacks is likely due at least in part to the improved economic climate of the Southeast in general and Alabama in particular.

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Highlights of Alabama Net Migration Patterns: 1965-70 and 1975-80

A migrant at the state level for the period 1965-70 is defined as a person who reports his/her state of residence for April 1, 1970 as being different from the state of residence reported for April 1, 1965. Migrants at the county level refer to individuals reporting a county of residence within the state as of April 1, 1970 different from that reported for April 1, 1975. Therefore, an outmigrant at the county level does not necessarily imply departure from the state. Total net migration and migration rates refer to the totals over the respective five year periods of observation; they are not annual average rates. Similar definitions are used for the 1975-80 period.

General Trends in Net Migration 1965-70:

The period of 1965 to 1970 was a time of net outmigration for both whites and blacks in Alabama. Net outmigration totaled 62,878 persons resulting in a net outmigration rate per thousand of -18.26 over the five year period. The black population contributed disproportionately to the net outmigration. Of the 62,878 net outmigrants, 58,580 were black and only 4,179 were white, resulting in net outmigration rates of -65.86 per thousand for blacks and -1.65 for whites. One may gain a better perspective on these figures by realizing that blacks made up just over 26 percent of the total population of Alabama in 1970, but were responsible for over 93 percent of the total net outmigration from 1965 to 1970.

Most of the counties in the state experienced net outmigration by blacks during 1965-70. Only five counties and the rest of the ten counties for which 1965-70 data are examined experienced a net increase in black migration. Six counties could be excluded from the 1965-70 migration data due to a discrepancy in the Census data. Madison and Dale counties experienced the only sizable increases in black population due to net migration. Madison county had a net increase of 11,136 blacks (40.38 per thousand), and Dale county had a net increase of 691 blacks (107.17 per thousand). The other three counties with a net increase in black migration experienced only minor increases of less than 2% per thousand.

Twenty-five of the 66 counties examined for the 1965-70 period experienced a net migration increase of whites. Autauga, Baldwin, Calhoun, Coffee, Dale, Elmore, Lee, and Pike, St. Clair, Shelby, Sumter, and Tuscaloosa counties experienced sizable increases in net migration of whites with net migration rates in excess of 50 per thousand in each case. The remaining 41 counties experienced a net outmigration of whites, with Covington, Marengo, and Mobile experiencing high rates of outmigration in excess of 60 per thousand over the five year period.

General Trends in Net Migration 1975-80:

Alabama experienced a net increase in population due to migration during the 1975-80 period. Net immigration totaled 75,946 persons for a net immigration rate of 19.5 per thousand during 1975-80. Whites contributed disproportionately to the net immigration during the period, accounting for almost 97 percent (73,505) of all immigrants. Blacks continued to exhibit a net outmigration from the state, but at a greatly reduced rate compared with the 1965-70 period. From 1975-80 there was a net outmigration of 4,148 blacks, or a net outmigration rate of -3.4 per thousand.

Forty of Alabama's 67 counties experienced a net immigration of whites from 1975-80. Shelby, Elmore, and St. Clair counties experienced particularly heavy immigration, each with rates in excess of 100 per thousand. Baldwin, Bibb, Blount, Calhoun, DeKalb, Jackson, Lee, Monroe, Pike, and Tuscaloosa counties also experienced high rates of white immigration, each with rates in excess of 60 per thousand.

Seventeen counties experienced a net outmigration of whites from 1975-80. Outmigration was particularly heavy in Bullock, Dallas, Marion, Perry, and Pickens counties, with each experiencing a net outmigration rate in excess of -50 per thousand.

Blacks continued a pattern of net outmigration from 1975-80, but generally at lower levels than during the 1965-70 period. However, several counties exhibited high rates of outmigration by blacks. Cleburne, Cullman, DeKalb, Franklin, Lowndes, and Marion counties experienced rates of outmigration by blacks in excess of -100 per thousand during the 1975-80 period. Bibb, Blount, Bullock, Clay, Conecuh, Crenshaw, Hale, Lamar, and Lauderdale counties also experienced heavy outmigration of blacks, each with rates in excess of -70 per thousand.

Seventeen of Alabama's 67 counties experienced a net immigration of blacks from 1975-80. Dale and Madison counties continued to experience high rates of net immigration of blacks as they did during the 1965-70 period. Calhoun and Tuscaloosa counties also experienced a high rate of net immigration during the 1975-80 period.

Comparison of trends from 1965-70 with trends from 1975-80:

Migration patterns of 1975-80 differ with those of 1965-70 in some noteworthy ways. Migration trends at the state level reversed from a net outmigration of 62,878 persons (-18.26

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